

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7545**

**BILL NUMBER:** HB 1528

**NOTE PREPARED:** Jan 21, 2011

**BILL AMENDED:**

**SUBJECT:** Financial Institutions and Consumer Credit.

**FIRST AUTHOR:** Rep. Bardon

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** \_\_\_ GENERAL  
**X** DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill makes various changes to the laws concerning: (1) financial institutions; (2) debt management companies; (3) pawnbrokers; (4) money transmitters; (5) check cashers; (6) persons licensed under the Uniform Consumer Credit Code; and (7) first lien mortgage lenders. It also repeals provisions that are being superseded by this bill and that concern the following: (1) Mergers or acquisitions of certain Indiana banks by out of state banks. (2) Change in control of a money transmitter. (3) A definition section in the statute regulating check cashers.

**Effective Date:** Upon passage; July 1, 2011.

**Explanation of State Expenditures:** *Department of Financial Institutions (DFI):*

*Director's Authority:* This bill would transfer the authority of the Department to the director in certain situations. Under current law, the policy-making power of the Department is vested in a board of seven members. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

*Change in Control:* The bill provides that an organization or an individual acting directly or indirectly with one or more other organizations may not acquire control of any other creditor unless the DFI has received and approved an application for a change in control. The bill provides that the DFI has not more than 120 days to issue an approval notice. The agency's current level of resources should be sufficient.

*Background Information:* Under current law, the policy-making power of the Department is vested in a board of seven members who are appointed by the Governor. The director of the Department also serves as an ex officio, voting member. The director is the chief executive and administrative officer of the Department and is responsible for the administration of the policies established by the members and all applicable legislative actions or policies. The director exercises managerial control over the work of the Department, including its staff of deputies, supervisors, examiners and administrative personnel.

**Explanation of State Revenues:** *Summary:* All fines imposed would be deposited in the Financial Institutions Fund. The increase or decrease in the amount deposited in the Financial Institutions Fund is indeterminable.

*Rental Purchase Agreements and Debt Management Companies:* Under current law, an individual who violates a rental purchase agreement, or the rules governing a debt management company can be subject to a maximum fine of \$10,000 fine per violation. Under this bill, the individual would first be served notice and would have an opportunity for a hearing before the imposition of the fine.

*Money Transmitters:* Current law permits the director to impose a fine of \$1,000 per violation; for continuous violations the fine is \$1,000 for each day the violation continues up to \$50,000 maximum. Under this bill, the person would be subject to a notice, a hearing and the possibility of a maximum fine of \$10,000 per violation.

*Financial Institutions:* Under current law, the director can impose a fine of up to \$15,000 for each violation. Under this bill the fine is \$1,000 per day for each violation.

*Check Cashiers:* Under current law, the court may assess a penalty of up to \$5,000 per violation. Under this bill, the maximum fine is \$10,000 per violation, and the agency would still have the authority to impose other sanctions as permitted under current law.

#### *Additional Background Information*

*Check Cashing Charges:* The bill modifies the amount that check cashiers can charge for cashing a check. Under current law, the charge is the greater of \$2 or 2 percent of the face amount of the check. Under this bill, the charge is a flat fee of \$5 per check.

*Voluntary Supervisory Conversion:* Under this bill, in order to prevent a mutual savings bank or mutual savings association from becoming insolvent, the director may approve a merger with a financial institution or permit the mutual savings bank or mutual savings association to convert into a stock owned entity to enable it to issue stocks to raise capital. The director may act on a voluntary supervisor merger or sale on behalf of the Department. The director may waive any requirement under current law that the director deems inapplicable with respect to the merger or conversion.

#### **Explanation of Local Expenditures:**

#### **Explanation of Local Revenues:**

**State Agencies Affected:** DFI

**Local Agencies Affected:**

**Information Sources:** John Schroeder, DFI, 317-232-5836.

**Fiscal Analyst:** Diana Agidi, 317-232-9867.